HOUSING MARKET INFORMATION

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Canada

CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

New Home Market

Housing starts decreased in September

The number of housing starts was trending at 226,864 units in September. The trend is a moving average of the monthly seasonally adjusted annual rate (SAAR)[1] of housing starts. The stand-alone monthly SAAR was 225,244 units in September, down from 229,845 in August. Housing starts in September were largely in line with the latest trend figure. The monthly decrease posted in September was mostly due to a decrease in urban multiple starts. As expected, the number of multiple starts in Ontario, particularly in Toronto, reverted back to a level more in line with the average pace of activity over the last six months.

Figure 1

Source: CMHC

*Seasonally adjusted at annual rates

[1]All starts figures in this report, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Urban single and multiple starts decreased in September

The seasonally adjusted annual rate of total urban starts decreased 3.0 per cent to 203,834 units in September from 210,129 units in August. Urban multiple starts posted a 3.8 per cent decrease to 136,108 units in September. Also in September, single starts posted a slight decrease to 67,726 units (-1.3 per cent).

Urban starts decreased in Ontario and British Columbia

In September, the seasonally adjusted annual rate of urban starts decreased in Ontario (-18.1 per cent) and in British Columbia (-3.7 per cent). On the other hand, urban starts remained relatively unchanged in Québec (1.3 per cent), while they increased in the Prairies (17.6 per cent) and Atlantic Canada (20.3 per cent) in September.

Non-urban areas of Canada saw an increase of 8.6 per cent to an estimated seasonally adjusted annual rate of rural starts of 21,410 units in September from 19,716 units in August.

Inventories of new and unoccupied units

The stock of new and unoccupied housing units has been stable over the past year, indicating new supply has been offset by continued strength in demand for newly completed homes.

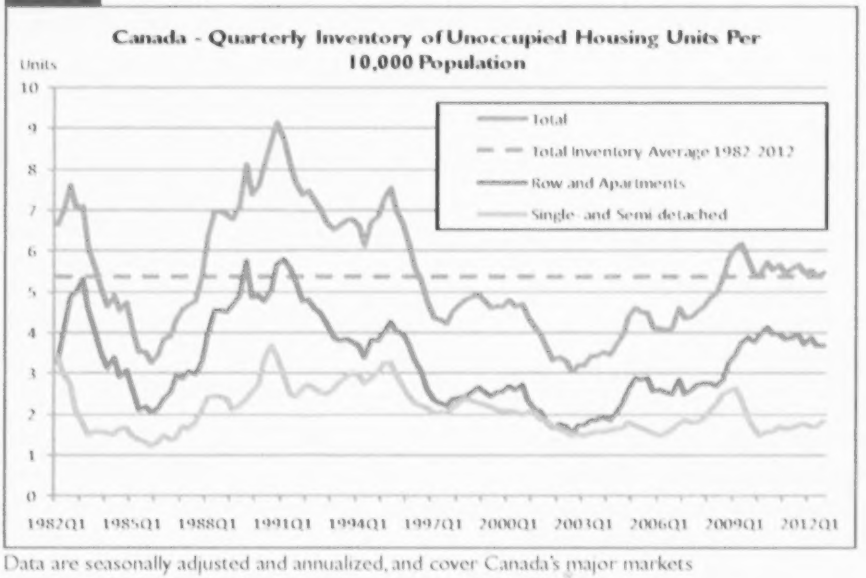
The inventories of new and unoccupied single and semi-detached homes increased in September to 6,125, from 5,783 in August and remained within the 2011 narrow range of 5,500 and 6,200 units. On the other hand, the inventories of new and unoccupied row and apartment units remained relatively stable, reaching 12,702 units in September from 12,642 in August, also within the 2011 range of 12,600 to 14,200 units.

Similarly, the ratio of the stock of new and unoccupied units to population, a simple gauge of potential overbuilding, has stabilized in recent quarters at levels close to its historical average (1982-2012 average of 5.4).

New housing price index stable in August

The New Housing Price Index (NHPI) increased 2.4 per cent in August 2012 compared to August 2011. This is slightly up from a 2.3 per cent increase posted in July 2012.

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS
Last data point: 2012Q3. Will be updated to 2012Q4 in the January 2013 Housing Now.

[2]Urban centres are defined as centres with a population of over 10,000. CMHC surveys urban centres 10,000-49,999 at the end of every quarter. Months which are not at the end of a quarter are thus estimates.

[3]The inventory of housing units is defined as the level of newly completed and unoccupied units. Units under construction are not taken into account in this inventory because some units under construction are pre-sold. The level of inventories discussed here is for urban centres with a population of over 50,000.

New home prices increased in 17 out of 21 centres on a year-over-year basis. The largest increases in the NHPI were in Toronto and Oshawa (4.7 per cent), followed by Winnipeg (4.4 per cent) and Regina (3.5 per cent). Declines were registered in Victoria (-3.0 per cent), Saint John, Fredericton and Moncton (-0.9 per cent), Charlottetown (-0.7 per cent) and Vancouver (-0.4 per cent).

Existing Home Market

MLS® sales and new listings increased in September

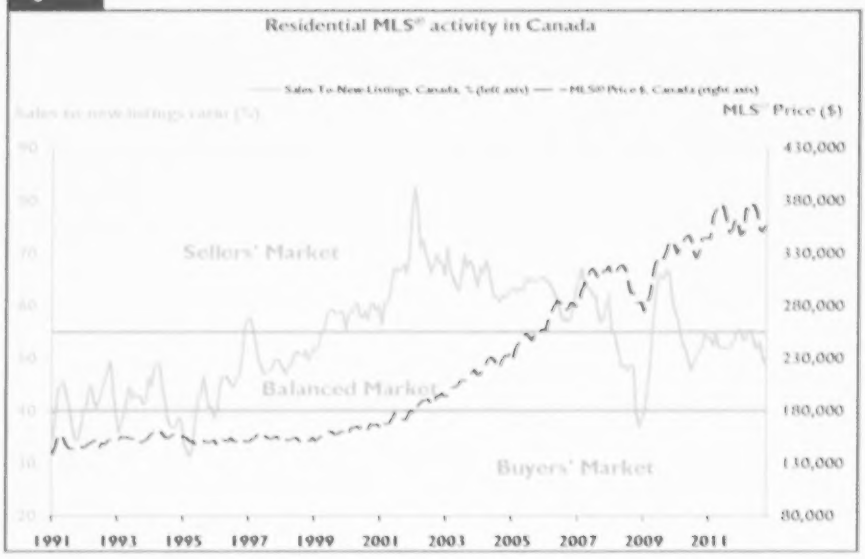
The seasonally adjusted annual rate of MLS® (Multiple Listing Service®) sales posted an increase of 2.5 per cent, at 439,212 units in September from 428,544 units in August 2012.

The seasonally adjusted annual rate of MLS® new listings in September was 896,916, an increase of 6.5 per cent from 842,472 in August.

Balanced market conditions continue in September

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

Figure 3



Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS
Last data point: 2012M9

The sales-to-new-listings ratio remained in balanced market condition in September as the increase in new listings outpaced the increase in MLS® sales, bringing down the sales-to-new-listings ratio for Canada to 49.0 per cent from 50.9 per cent in August. Market conditions are further anchored in balanced market territory for the Canadian housing market.

MLS® price increased slightly in September

The national seasonally adjusted average MLS® price remained relatively stable, increasing 0.5 per cent in September to $364,426 from $362,618 in August. Also in September, the unadjusted MLS® average price increased 1.1 per cent to $355,777 from $351,898 a year ago.

Earlier this year, the Canadian Real Estate Association (CREA) launched a house price index that uses statistical techniques to control for changes over time with respect to the types and quality of homes that are sold. According to this new measure, house prices in the markets covered increased 3.9 per cent between September 2011 and September 2012. Price increases were led by Regina (14.2 per cent), followed by Calgary (6.5 per cent), Greater Toronto (5.7

[4]Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

[5]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

[6]The MLS® Home Price Index is based on single family, townhouse/row unit, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Regina, Greater Toronto and Greater Montréal.

per cent), Greater Montreal (2.2 per cent) and the Fraser Valley (2.1 per cent). Greater Vancouver posted a decline of 0.8 per cent in September.

Generally, both price measures published by CREA have converged towards moderation in recent months, but there are still differences in the growth estimates. Over the past six months, the average existing home price posted month-over-month decreased three times, with decreases ranging from -0.5 to -1.5 per cent. CREA's new measure shrank in September for the fifth time in as many months.

On balance, these measures are signalling a steady moderation in home price growth.

By comparison, the Teranet-National Bank House Price Index, which also uses statistical techniques to control for changes in the types and quality of homes sold over time, has posted a 0.4 per cent decline in September, following a 0.2 per cent decrease in August. In six of the 11 metropolitan markets surveyed, prices were down from the month before:Victoria (-1.3 per cent),Vancouver (-1.2 per cent), Ottawa (-0.8 per cent), Edmonton (-0.7 per cent), Montréal (-0.6 per cent) and Quebec City (-0.2 per cent).

Economic conditions

According to Statistics Canada, employment increased 0.3 per cent per cent in September, following a previous increase in August. In September, the 0.3 per cent increase in full-time employment was similar to the 0.2 per cent increase in part-time employment. Overall, given an increase in the participation rate, Statistics Canada reported that the unemployment rate rose 0.1 percentage points to 7.4 per cent in September.

Compared with 12 months earlier, employment was up 1.0 per cent in September (an increase of 174,500 jobs). Most of the gains posted on a year-over-year basis were concentrated in full-time employment, which recorded an increase of 1.1 per cent (156,800 jobs), while part-time employment increased 0.5 per cent over the same period (17,700 jobs).

Statistics Canada's Consumer Price Index rose 1.2 per cent in the 12 months to September, matching the increase in August. Provincially, highest CPI increases was observed in Prince Edward Island (2.0 per cent), Québec (1.9 per cent) and Newfoundland and Labrador (1.8 per cent). On the other hand, Ontario and British Columbia posted the lowest gains (0.7 per cent). Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose 1.3 per cent in the 12 months to September, following a 1.6 per cent gain in August.

On October 23rd, the Bank of Canada announced that it would maintain the Target for the Overnight Rate unchanged at 1.0 per cent. In its latest October 2012 Monetary Policy Report (MPR), the Bank of Canada stated that "The global economy has unfolded broadly as the Bank projected in its July MPR [...] In Canada, while global headwinds continue to restrain economic activity, domestic factors are supporting a moderate expansion. Following the recent period of below-potential growth, the economy is expected to pick up and return to full capacity by the end of 2013."

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place December 4th, 2012. ■

This Month's Housing Data (SAAR)

	2011	Q1:12	Q2:12	Q3:12	M07:12	M08:12	M09:12
Housing starts, units, 000s							
Canada. Total. All areas	**194.0**	**205.2**	**229.1**	**222.9**	**214.5**	**229.8**	**225.2**
Per cent change from previous period	2.1	2.4	11.7	-2.7	-3.8	7.1	-2.0
Canada. Total. Rural areas	**19.6**	**19.0**	**22.5**	**22.4**	**22.6**	**19.7**	**21.4**
Per cent change from previous period	-17.5	-9.5	18.3	-0.3	2.4	-12.6	8.6
Canada. Total. Urban areas	**174.4**	**186.2**	**206.7**	**200.6**	**192.0**	**210.1**	**203.8**
Per cent change from previous period	4.9	3.8	11.0	-3.0	-4.4	9.5	-3.0
Canada. Single. Urban areas	**67.1**	**67.2**	**68.0**	**68.9**	**67.7**	**68.6**	**67.7**
Per cent change from previous period	-9.6	-0.6	1.3	1.2	0.1	1.3	-1.3
Canada. Multiple. Urban areas	**107.3**	**119.0**	**138.7**	**131.7**	**124.3**	**141.5**	**136.1**
Per cent change from previous period	16.7	6.4	16.5	-5.0	-6.8	13.9	-3.8
Newfoundland. Total. All areas	**3.5**	**3.7**	**4.0**	**4.3**	**4.6**	**4.0**	**3.9**
Per cent change from previous period	-3.3	9.7	9.9	7.3	16.6	-13.9	-1.6
Prince Edward Island. Total. All areas	**0.9**	**0.5**	**1.1**	**1.2**	**1.3**	**1.1**	**1.4**
Per cent change from previous period	24.3	-58.9	145.8	6.6	-9.9	-16.5	29.8
Nova Scotia. Total. All areas	**4.6**	**3.8**	**3.7**	**5.4**	**3.0**	**6.8**	**6.1**
Per cent change from previous period	7.8	-21.2	-2.3	45.3	-25.0	127.0	-10.4
New Brunswick. Total. All areas	**3.5**	**2.6**	**3.8**	**3.4**	**3.3**	**3.4**	**6.5**
Per cent change from previous period	-15.8	-31.3	49.2	-11.5	-29.3	2.6	90.2
Quebec. Total. All areas	**48.4**	**41.2**	**52.4**	**49.3**	**53.8**	**47.3**	**50.3**
Per cent change from previous period	-5.8	-16.0	27.2	-6.0	8.4	-12.0	6.3
Ontario. Total. All areas	**67.8**	**79.0**	**81.9**	**79.0**	**74.8**	**88.3**	**72.4**
Per cent change from previous period	12.2	18.5	3.6	-3.5	2.8	18.0	-18.1
Manitoba. Total. All areas	**6.1**	**6.7**	**7.8**	**8.3**	**6.6**	**9.3**	**8.5**
Per cent change from previous period	3.3	-7.3	15.6	6.5	25.7	42.3	-8.7
Saskatchewan. Total. All areas	**7.0**	**8.8**	**9.6**	**10.8**	**7.9**	**9.8**	**13.2**
Per cent change from previous period	19.0	19.3	9.3	12.7	-28.2	24.8	34.9
Alberta. Total. All areas	**25.7**	**31.4**	**35.5**	**32.6**	**33.4**	**29.4**	**33.4**
Per cent change from previous period	-5.1	3.0	13.1	-8.1	-1.7	-12.1	13.9
British Columbia. Total. All areas	**26.4**	**27.6**	**29.4**	**28.7**	**25.9**	**30.4**	**29.5**
Per cent change from previous period	-0.3	3.8	6.3	-2.3	-28.8	17.6	-3.0

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2011	Q1:12	Q2:12	Q3:12	M07:12	M08:12	M09:12
Housing starts, units, 000s							
Canada. Total. Urban areas	174.4	186.2	206.7	200.6	192.0	210.1	203.8
Newfoundland. Total. Urban areas	2.3	2.5	2.6	2.7	2.9	2.5	2.6
Prince Edward Island. Total. Urban areas	0.7	0.3	0.8	0.9	1.0	0.8	1.1
Nova Scotia. Total. Urban areas	4.1	3.1	3.1	4.8	2.4	6.3	5.5
New Brunswick. Total. Urban areas	2.5	2.0	2.8	2.8	2.5	2.9	5.8
Quebec. Total. Urban areas	41.8	35.2	45.1	42.2	46.0	42.0	42.5
Ontario. Total. Urban areas	65.2	77.1	79.8	77.1	72.9	86.2	70.6
Manitoba. Total. Urban areas	4.2	4.3	5.4	5.9	3.8	7.0	6.9
Saskatchewan. Total. Urban areas	5.7	6.9	7.2	8.3	6.1	7.6	10.9
Alberta. Total. Urban areas	23.6	29.0	32.4	29.5	30.5	26.7	30.8
British Columbia. Total. Urban areas	24.3	25.8	27.4	26.3	23.8	28.2	27.2

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

	2011	Q1:12	Q2:12	Q3:12	M07:12	M08:12	M09:12
New Housing							
New & unoccupied singles & semis, units 000s	6.2	6.1	5.7	6.1	5.9	5.8	6.1
Per cent change from same period previous year	6.0	4.2	2.9	6.7	4.8	3.7	6.7
New & unoccupied row & apartments, units 000s	12.9	13.1	12.7	12.7	12.5	12.6	12.7
Per cent change from same period previous year	-6.0	1.6	-4.1	-5.6	-8.2	-7.7	-5.6
New House Price Index, 2007=100	105.5	107.0	107.8	n.a.	108.1	108.3	n.a.
Per cent change from same period previous year	2.2	2.4	2.4	n.a.	2.3	2.4	n.a.
Existing Housing							
MLS® resales*, units 000s	457.3	473.7	472.0	441.5	456.8	428.5	439.2
Per cent change from same period previous year	2.4	3.3	6.1	-2.8	0.9	-4.8	-4.6
MLS® average resale price, 000s**	363.1	368.4	364.2	361.5	357.5	362.6	364.4
Per cent change from same period previous year	7.1	1.0	-0.4	0.0	-1.2	0.3	0.8
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	3.52	3.30	3.20	3.10	3.10	3.10	3.10
Posted 5-Year Mortgage Rate, % (period average)	5.37	5.26	5.34	5.24	5.24	5.24	5.24

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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